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SUBJECT: PEOPLE'S PARTY EMBROILED IN THIRD-PARTY CAMPAIGN AD
CONTROVERSY

Ref: Riga 527

¶1. SUMMARY. The People's Party, the senior partner in Latvia's minority coalition government, has come under the scrutiny of the press and the Anti-Corruption Bureau (KNAB) over a series of TV commercials that praise the party's cabinet ministers. The clips do not make reference to the elections or the party and contain no disclosure about who paid for them. The People's Party has so far been evasive about whether it is behind the clips. However, the ads have been placed by an obscure NGO whose founders include Prime Minister Aigars Kalvitis' (People's Party) chief of staff Jurgis Liepnieks. If the KNAB determines that the People's Party has been directly involved in funding the ads, it may face monetary penalties. As a young democracy, Latvia is trying to balance limits on campaign financing and spending with freedom of speech. END SUMARY.

¶2. The Anti-Corruption Bureau is looking into ads being broadcast on the Latvian TV over the past few weeks praising several People's Party ministers, including Prime Minister Aigars Kalvitis. The clips do not indicate who paid for them, nor do they include specific electoral references such as "vote for", "support", etc. The People's Party has declined to comment on whether the ads are part of their election campaign. However, the ads have been placed by an NGO called "Society for the Freedom of Speech" whose founders include Prime Minister Kalvitis' chief of staff Jurgis Liepnieks (reftel). Some of the cultural workers praising Culture Minister Helena Demakova and doctors commending the work of Health Minister Gundars Berzins have said that they were approached with a request to express their honest opinion about the ministers. The participants deny that they were given any prepared scripts, or that they knew of any political context of the request. Liepnieks told Latvian TV that there were "precious few positive ads in Latvia and we decided to fill the gap."

¶3. The current law on campaign financing sets strict limits on how much money the parties can spend during the election campaign. However, the law only applies to direct spending by political parties. One of the editors of Diena, a centrist paper that has taken the lead in reporting on this story, told the Ambassador that they felt it was important to try to get the Latvian public energized in opposition to efforts to circumvent the law. Diena also believes that Liepnieks is directly transferring People's Party funds to the NGO for these ads in an effort to get around the law. If the KNAB can find evidence of this, the party could be subject to a fine as well as required to pay to the State an amount equal to what they spent over the allowable limit. If a party fails to pay the stipulated sum within thirty days, or if a party is a repeat offender, the KNAB has the authority to initiate the suspension of the party through the Latvian courts. Though the KNAB has been successful in using this legislation against smaller parties, it has not been tried against the larger political parties.

14. Comment: Latvia's young democracy has struggled with the influence of money in politics since the restoration of independence in 1991. Many of the parties here are controlled by wealthy individuals to secure and advance their personal political agendas and campaigns here rely heavily on television advertising. The campaign finance law attempted to control how much parties could spend, but not how much they could raise. As in the U.S., there are questions here about how restrictions on campaign finance should be balanced against constitutional guarantees of freedom of speech. Liepnieks even cited several U.S. examples to defend the ads, while still not conceding that they were paid for by the party. There is no question that parties here will try many creative methods to get around the campaign finance law in advance of the October 7 ballot, much as soft money and 527's have played in U.S. elections. However, this case would be especially concerning if party funds were directly transferred for these ads in a blatant attempt to get around the law. Even if the KNAB can prove that and secure a court verdict, the financial penalty to the party would be far outweighed by what they see as the positive message to voters about their ministers' performance in office. The most interesting aspect about this case is how little the average Latvian seems to care, seemingly expecting that shady financing will be an inevitable part of the campaign. END COMMENT.
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